



Spring 2010

Tax Credits for Employers

HIRE Act

The federal Hiring Incentives to Restore Employment (HIRE) Act gives employers a tax benefit for hiring previously unemployed workers. This Act effectively exempts the employer from paying the 6.2% FICA tax normally paid by the employer for wages paid after March 18, 2010 through December 31, 2010 for every qualified employee hired after February 3, 2010 and before January 1, 2011. The newly hired employee must certify (sample form attached) that he/she was either unemployed in the 60 days prior to hire or was working less than 40 hours a week for someone else during that period. The new hire must fill a new position or replace an employee who quit voluntarily or for cause. The tax benefit is eligible to the employer for re-hires if the employee otherwise meets the qualification requirements (has been out of work or working part-time elsewhere for at least 60 days). The reduction in taxes paid by the employer has no effect on the future social security benefit for the employee.

The employer can take the credit beginning with the tax filing (941 – draft form attached) for the second quarter of 2010. [The credit for the period from March 19 – 31 of the first quarter can be included with the second quarter filing.]

An additional retention credit is available to employers who retain a qualified employee for 52 consecutive weeks. Those employers are eligible for another general business credit of 6.2% of all wages paid in the year to the new employee with a maximum credit of \$1000. This credit is to be taken on the employer's 2011 tax return.

Federal Extension of COBRA/Unemployment Benefits

Federal unemployment benefits have been extended through June 2, 2010. Additionally, the COBRA subsidy has been extended to cover individuals who have lost their jobs through May 31, 2010.

Small Business Health Insurance Credit

This credit, which is part of the comprehensive federal health care reform legislation, can be taken on the employer's 2010 tax return. A small employer, defined as an employer who has fewer than 25 full-time equivalent (FTE) employees paying wages averaging less than \$50,000 per employee per year, is eligible to receive a credit (up to a maximum of 35% for employers with 10 or fewer FTE employees paying annual average wages of \$25,000 or less) for health care insurance premiums paid by the employer in 2010. [Tax-exempt employers are allowed a maximum credit of 25% of premiums paid.]

The number of an employer's FTEs is determined by dividing (1) the total hours for which the employer pays wages to employees during the year (but not more than 2,080 hours for any employee) by (2) 2,080. The result, if not a whole number, is then rounded to the next lowest whole number. Seasonal employees who work 120 days per year or less are excluded from this calculation.

The employee must be enrolled in health care coverage offered by the employer for which the employer pays not less than 50% of the premium cost of the coverage for the employee. The amount of the credit is capped based on the average premium for the small group market in the State.

For further assistance on these issues, contact Jeanne Flaherty or Lynn Ryder at Employer's Legal Advisor, Inc.



Jeanne Flaherty is the President and Managing Attorney of Employer's Legal Advisor, Inc., which represents and advises employers on all employment matters. The firm specializes in conducting employment practices compliance reviews and advising employers on day-to-day legal issues in the workplace.